MAELSTROM RESOURCES SDN BHD & ANOR A

v.

SHEARN DELAMORE & CO AND ANOTHER CASE

HIGH COURT MALAYA, KUALA LUMPUR B
KANG HWEE GEE J
[CIVIL SUIT NOS: D5-22-260-1996 & D2-22-422-1996]
11 DECEMBER 2006

TORT: *Negligence - Duty of care - Legal advice given by defendant to plaintiff regarding patentability of invention - Whether there was a foreseeable risk in exploiting said invention - Whether there was failure to advise plaintiff of risk - Whether there was a breach of duty of care owed by defendant to plaintiff* C

LEGAL PROFESSION: *Duty of care - Duty to client - Negligence - Legal advice given by defendant to plaintiff regarding patentability of invention - Whether there was a foreseeable risk in exploiting said invention - Whether there was failure to advise plaintiff of risk - Whether there was a breach of duty of care owed by defendant to plaintiff* D E

The plaintiff had initially consulted the defendant, an established firm of advocates and solicitors and also a registered patent agent, on the patentability of an invention. The plaintiff was a former employee of IEV, an Australian company of contractors of international repute in the oil and gas industry undertaking the cleaning of offshore oil rigs using its own Australian patented cleaning device. The plaintiff was able to conceive and design an improved version of the IEV devices that he intended to exploit after he left the employ of IEV. Upon leaving IEV, the plaintiff invented three devices that could be used to clean the submerged legs of offshore oil rigs. IEV, which had been granted a Malaysian patent on its cleaning device, served a notice of patent infringement on the plaintiff. The defendant gave the plaintiff its 1st written legal opinion advising him to file his patent application for his invention and at the same to seek a declaration of non-infringement from the High Court of the IEV patent. Upon review of the IEV patent, the defendant gave its 2nd legal opinion advising the plaintiff that there was no fear of any possible infringement of said patent by the plaintiff. The plaintiff subsequently brought an action against the defendant founded on F G H I

A the tort of negligence, his case being founded on the two legal opinions of the defendant, which were ultimately distilled down to the complaint that the defendant owed a duty of care to the plaintiff in that at the time of giving the opinions, the defendant knew or ought to have known that there was a foreseeable risk
B in exploiting the invention, and that in failing to advise the plaintiff of the risk and instead advising the plaintiff to "go ahead and exploit" his invention constituted a breach of the duty of care.

Held (for the plaintiff):

C **(1)** The dogmatic opinions using such words as "go ahead and exploit" and "have no fear of any possible infringement" given without caveat by the defendant had prompted the plaintiff to proceed to exploit his invention. It was true that in so far as its advice on the patentability of the plaintiff's invention was
D concerned, the defendant had been absolutely competent as, in the end, the High Court had vindicated the defendant (by striking out the IEV patent in all 5 of 6 claims), in effect rendering the IEV patent as invalid. It was also true that the defendant was in the end found to have given the correct
E advice with respect to the patentability of the plaintiff's invention. But this would not exonerate the defendant of its liability for negligence – the test of foreseeability of harm in this instance being the immediate impact and consequence of the advice to exploit and not merely the end success of getting
F the patent registered. As it was, by the time his application for a declaration of an infringement (which had to be discontinued in favour of maintaining another action for invalidation of the IEV patent) was decided in his favour, a good two years had passed. By then, the plaintiff was no longer in a financial
G position to continue with his exploitation. In consequence, he had therefore suffered damages. Had he been properly advised by the defendant with respect to the legal impediments that he would have to face over a period of time, he may have been able to weigh his options before deciding to exploit his
H invention. (paras 61, 62 & 63)

[Liability in negligence found for plaintiff; damages to be assessed.]

I

Case(s) referred to:

Arab-Malaysian Finance Bhd v. Steven Phoa Cheng Loon & Ors [2003] 1 CLJ 585 CA ***(refd)***

Blyth v. Birmingham Waterworks Co [1856] 11 Exch 781 ***(refd)***

Boyce v. Rendalls [1983] Volume 268 Estates Gazette 269 ***(refd)***

Buckland v. Mackesy The Solicitors' Journal vol 112-1968 ***(refd)***

Caparo Industries plc v. Dickman & Ors [1990] 1 All ER 568 ***(refd)***

County Personnel (Employment Agency) Ltd v. Alan R Pulver & Co (a firm) [1987] 1 All ER 289 ***(refd)***

Edward Wong Finance Co Ltd v. Johnson Stokes & Master (a firm) [1984] 1 AC 296 ***(refd)***

Other source(s) referred to:

Halsbury's Laws of England: The Law of Solicitor's Negligence, 4th edn Reissue, paras 152, 153

(Civil Suit No: D5-22-260-1996)
For the plaintiff - MS Murthi; M/s Murthi & Partners
For the defendant - Darryl SC Goon; M/s Khoo & Sidhu

(Civil Suit No: D2-22-422-1996)
For the plaintiff - Sunther Thulasi; M/s A Zahari & Rakan-rakan
For the defendant - Darryl SC Goon; M/s Khoo & Sidhu

Reported by Suresh Nathan

JUDGMENT

Kang Hwee Gee J:

[1] The two suits were consolidated before Steve Shim J (as he then was) who heard part of the case.

[2] The parties were agreed before Steve Shim J that the trial would be confined to findings on liability leaving the assessment of damages if required to the senior assistant registrar.

[3] The claims of the respective plaintiffs arose from legal advice on the patentability of an invention offered by the defendant firm of advocates and solicitors who were also a registered patent agent.

[4] The claims were both founded on the tort of negligence set on a common causal backdrop and brought against a common defendant.

A **The Parties In The D5-22-260-1996 Suit**

[5] The 1st plaintiff in this suit was a company set up by the 2nd plaintiff a Mr, Sadacharamani a/l Govindasamy.

B **[6]** The defendant gave two opinions – one before incorporation of the 1st plaintiff and the other after the 1st plaintiff was incorporated.

[7] The 1st opinion was given to Sada (the 2nd plaintiff), personally.

C

[8] The 2nd opinion was also given to Sada but addressed to the company (1st plaintiff). It was in fact a follow up from the 1st opinion

D **[9]** It is not disputed that before incorporation of the 1st plaintiff, the legal advice was given to the 2nd plaintiff Sada in his personal capacity. After incorporation of the 1st plaintiff, the legal advice was given to the 1st plaintiff company through Sada as its director.

E **[10]** The 1st and 2nd plaintiffs had put up a joint accusation of negligence of the defendant but a separate claim for loss and damages suffered. It is clear Sada was merely using the 1st plaintiff company as a vehicle to exploit his invention. The 2nd legal advice although directed to the company is to be treated as being
F directed to Sada as a follow-up of the 1st.

[11] There can only be one party to the recipient of the legal advice, that is to say, Sada in whose name the patent was being applied for.

G

[12] Any loss and damages suffered by Sada where relevant and proved should include the loss and damages he suffered in setting up the company.

[13] Mr. Sada was in fact the alter ego of the company he set
H up and there ought for the purpose of this suit be only one plaintiff.

[14] To treat Sada and the company he formed to exploit his invention is utterly artificial.

I

[15] As a matter of convenience and for the sake of simplicity for the purpose of this judgment I shall treat both the plaintiffs as a single entity and refer to them as Sada.

The Facts

[16] Mr. Sada was a former employee of IEV an Australian company of contractors of international repute in the oil and gas industry undertaking the cleaning of off-shore oil rigs using its own Australian patented cleaning device.

[17] IEV had made an application to register its patent on the cleaning device in Malaysia and approval was pending.

[18] In the course of his employment with IEV Sada was exposed to the use of the IEV cleaning device and in time was able to conceive and design an improved version of the IEV devices which he intended to exploit after he left the employ of IEV.

[19] Upon leaving IEV Mr. Sada invented three devices called the Wave Driven Eliminator (WDE), the Wave Driven Inhibitor (WDI) and the Current Driven Inhibitor (CDI) which could be used to clean the submerged legs of off-shore oil rigs.

[20] On 19 April 1993 Mr. Sada went to consult the defendant an established firm of advocates and solicitors who was also a registered patent agent.

[21] He was accompanied by a close friend Nagendaran (the plaintiff in Civil Suit No. D2-22-422-1996) who was at the material time on leave from his vocation as an accountant in England.

[22] The plaintiff was attended to by Mr. John Jayakar and Mr. Wong Sai Fong of the defendant's firm.

[23] Thereafter further consultations followed.

[24] On 29 May 1993 IEV was granted a Malaysian Patent No. MY103283A.

[25] On 6 July 1993 IEV served a notice of patent infringement on the plaintiff which it subsequently brought to the notice of the defendant as solicitors for the plaintiff by a letter dated 9 July 1993.

[26] The letter dated 6 July 1993 read as follows:

Our Ref: 18883/93/HJ-Y/UK

July 6, 1993

Mr. Sadacharamani a/l Govindasamy
83 Jalan Bukit
43000 Kajang
Selangor Darul Ehsan. By Courier

Dear Sir

Re: Infringement of Patent

We are instructed by our clients IEV International Pte Limited of Suite 1 Level 7, 309 Kent Street Sydney, New South Wales 2000 Australia and IEV (S.E.A) Sdn. Bhd. of level 3 Bangunan Universal, 44 Jalan Penchala, 46050 Petaling Jaya to give you notice that their invention known as the 'Preventer' and 'Remover' of marine growth has been granted letters patent *vide* patent No. MY 103283-A. It has been brought to our clients' attention that you have exploited the patented invention without the consent of our clients. We are hereby instructed to give you notice that legal proceedings will be instructed against you if you do not within seven (7) days from the date hereof do the following:

1. Give full details of the drawings or any prototype of the invention which are in your possession.
2. Deliver up all infringing copies of the invention.
3. Make an offer of payment of damages,
4. Undertake to pay the legal costs of our clients; and
5. Execute the enclosed undertaking in triplicate.

Yours faithfully,

Sgd.

Ram Rais & Partners

[27] The defendant acting for the plaintiff replied by a letter dated 27 July 1993 denying the infringement:

Your Ref: 18883/93/HJ-Y/UK

Our Ref: SD 1443886 (JJ)

27th July 1993

Messrs Ram Rais & Partners
Wisma Packer
No. 195, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur.

By fax & post
(2930716)

Dear Sirs,

Re: Infringement of Copyright Patent and Breach of Confidence

We refer to your letters of 6th and 20th July.

We are instructed by our client to inform you that he denies and rejects each and every allegation leveled against him in your clients' letter of 6th July as unfounded and baseless and that the said letter must have been motivated by malice.

Further, the allegations being groundless, it is patently clear that your client is embarked on a fishing expedition for information from our client through unfair means and unlawful demands.

Our client denies exploiting alleged invention of your client and demands to see evidence of exploitation as alleged by your client.

Kindly also instruct your client that our client does not have any drawings or any prototype of your clients' invention in his possession and if in fact it is meant by your clients' demand that drawings and prototype allegedly developed by our client, which our client denies, and even if true your client who has no title over them and is not entitled to demand for them.

Our client further rejects all other demands of your client and the letter of undertaking without further consideration.

Meanwhile, our client has instructed us to take such legal proceedings as may be necessary against your client to protect our client's interest and therefore kindly let us know if you have your clients' instruction to accept due process.

Yours faithfully,

Shearn Delamore & Co.

c.c.: clients

[28] On 28 July 1993 the defendant gave the plaintiff its 1st written legal opinion advising the plaintiff to file his patent application for his invention and at the same time to seek a declaration of non-infringement from the High Court of the IEV patent. The opinion read as follows:

Our Ref: SD 1443886 (JJ)

28th July 1993

Mr. Sadacharamani, G
83, Jalan Bukit
43000 Kajang
Selangor Darul Ehsan.

By fax & post
(8363237)

Dear Sirs,

Re: Patent Application: The Control of Marine Growth on Off Shore Structure

We refer to our meeting on 23rd instant and the discussion that followed on the above captioned matter.

We have reviewed the Malaysian MY-103283-A of IEV (S.E.A.) Sdn Bhd and it is our opinion that the claims related to their invention have been formulated in a slip-shod manner leaving ample scope for interested party such as yourself to submit application for Patent with claims based on improved features relates to the subject matter as contained in their patent.

We regard the improved features, as explained to us, relate directly to overcoming problems and providing solutions to the difficulties currently being faced by the IEV (SEA) Sdn Bhd Patent and as such the improved features taken collectively could be evaluated as introducing sufficient number of inventive-steps, worth while protecting with a patent.

Although there is over-lap in the principle of construction of your proposed patent with that of the IEV Patent, wherein both may be categorised as falling within the same family of invention, nevertheless it is our considered opinion that there are sufficient number of improved features introduced by you that will set your proposed invention apart as separate species falling within the same family of inventions.

We would therefore advise that you go ahead and submit your application for patent. The improved features stand more than a reasonable chance of being granted patent. That being the case you may be able to resist any challenge against infringement of the existing IEV Patent.

On the other issue of threatened infringement proceeding against you by IEV (S.E.A.) Sdn. Bhd. we would approach the problem as follows:

a) you go-ahead with the filing of application for patent for the improved features in Malaysia and start exploiting your invention;

b) in order to wrest the initiative off IEV apply to the Court for a declaration that your proposed improvements do not infringe the existing patent of IEV.

We trust the above explains the legal position and the strategy to be adopted in dealing with IEV patent.

We look forward to hearing from you soon.

Yours faithfully,
Shearn Delamore & Co.

JJ/lk

[28] On 30 July 1993 the plaintiff incorporated his company Maelstrom (the 1st plaintiff) intending to use it as the vehicle to exploit his invention. Nagendaran became a shareholder of the 1st plaintiff.

[29] On 1 September 1993 the defendant submitted Sada's invention in respect of the Inhibitor and on 3 September 1993 in respect of the Eliminator to the Registrar of Patent Malaysia.

[30] On 20 November 1993 the plaintiff filed the originating summons for the declaration of non-infringement.

[31] On 11 January, 1994, (upon review of IEV's Malaysian Patent MY103283A *vis-a-vis* the 2nd plaintiff's 'fabrication'), the defendant gave its 2nd legal opinion. It read as follows:

A Our Ref: SD 1443886 (JJ)

11th January 1994

Maelstrom Resources Sdn. Bhd.
No. 12 & 14, PJS 11/7
B Jalan Lagun Barat
Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan. by fax & post
(7358483)

C Attn: Mr. Sadacharamani, G.

Dear Sirs,

Re: Patent Application: The Control of Marine Growth on off-shore structures
D

We refer to our meeting on 10th instant and the discussion that followed on the above captioned matter.

We have reviewed the Malaysian Patent MY-103283-A of IEV and compared it with the proposed improved features to be
E included in the Wave Driven Eliminator (WDE), the Wave Driven Inhibitor (WDI) and the Current Driven Inhibitor (CDI).

Although, there is over-lap in the overall concept of using cleaning rings with associated cleaning components such as roller brushes and solid rollers, the similarity between IEV product and that of
F Maelstrom ceases when we compare and closely examine the functional features upon which the inventions are based.

The WDE of IEV may be best described as based on rigid construction such that the connectors between the cleaning
G components are capable of one degree freedom movement that is to say, the constructional features employed allow for flexibility only in the plane in which the cleaning ring structure is conceived.

Whereas Maelstrom's WDE has introduced a novel connector referred to as the zeroment connector that is capable of two
H degree freedom of movement about the connector such that the flexibility of the cleaning ring is dramatically increased. The said flexibility enables the ring structures to distort not only in the plane of the cleaning ring (horizontal plane) but also in the vertical plane. Over-all the two plane flexibility introduced to the cleaning
I ring enables it to accommodate and cope with the forces of the sea thus ensuring durable and lasting product requiring little attention from the user after the cleaning rings have been installed.

Upon review of the claims of IEV Patent, there is nothing in the claims that even remotely claims the use of two degree freedom of movement connectors in constructing the cleaning rings. Thus Maelstrom will not be in anyway infringing any of the patented features as claimed in the IEV Malaysian Patent MY-103283-A.

In addition to the above, there are several other features incorporated in the Maelstrom WDE that are superior and novel in themselves over and above those of IEV patented product. For instance the cleaning rollers are capable of sliding along their shaft as well as freely rolling thus overcoming the problem within limits, the undesirable and destructive surface scratching caused by the IEV "rigid" roller construction to the surface of the submerged structure to which the cleaning ring has been installed.

The cleaning cage constructed out of several cleaning rings held in series separated by connecting rods as conceived by the IEV design definitely presents an obvious and unworkable rigid construction that is incapable of coping with the forces of the sea. Whereas the cleaning cage constructed based on the features as described by Maelstrom in their patent application incorporates a flexible construction with the main objective to overcome and cope with the forces of the sea. The connectors are so adapted to allow, within limits, independent movement of the flexible rings. This flexibility has the effect of reducing the stress building up at the connectors thus ensuring a durable and effective cleaning cage construction.

As regards the WDI, Maelstrom is relying on a connector with bass and socket joints to achieve the flexibility needed for a durable and effective construction. No where in the claims for the WDE, in the IEV Patent, is there any reference either directly or impliedly to the use of connectors with ball and socket arrangement. Just as importantly there is nothing in the constructional features as claimed by the IEV Patent to a flexible construction.

Notwithstanding the above there are other novel features in the Maelstrom WDI such as rubberised rollers that are used instead of the wire brush rollers of IEV patent. Further the rollers are capable of sliding along the shaft in addition to freely rotating on the shaft.

With reference to the Current Driven Inhibitor (CDI), IEV patent merely lays claim to an idea, failing completely to disclose any of the constructional features upon which their CDI functions. While Maelstrom have described their design completely, particularly the

constructional features they depend on in efficiently trapping and utilising the currents and undertows of the sea in order their CDI works.

We would therefore regard the features described above clearly sets the Maelstrom apparatus outside the scope of the features as claimed by IEV patent and we would advise that there is no fear on the issue of any possible infringement of the Malaysian Patent MY-103283-A.

As was explained, wherein both the IEV patented product and Maelstrom's apparatus may be categorised as falling within the same family of inventions, nevertheless it is our considered opinion that there are sufficient number of improved features introduced in the Maelstrom apparatus that will set it apart as a separate species entitled to be regarded as inventions in their own right *albeit* they fall within the same family of inventions related to apparatus used in the control of Marine Growth on offshore structures.

We trust the above explains the legal position as regards patents and infringement and if you have any queries do not hesitate to get in touch with us as we will be only too pleased to assist you.

Yours faithfully,

Shearn Delamore & Co.

/Ik

[32] On 21 January 1994 the defendant discharged itself from acting for the plaintiff on ground of conflict of interest.

[33] On 28 January 1994 another legal firm Skrine & Co. gave its legal opinion to the plaintiff

[34] On 15 February 1994 a U.S patent agent gave its opinion.

[35] On 28 February 1994, a N.Z patent attorney gave his opinion.

[36] On 2 March 1994 plaintiff served a notice of demand for negligent advice to Shearn Delamore citing three different opinions obtained confirming infringement and conflict of interest.

[37] On 3 March 1994 Skrine & Co. filed an originating summons for invalidation.

[38] On 3 March 1994 IEV obtained an Anton Pillar Order against the plaintiff. A

[39] On 17 March 1994 the Anton Pillar Order was set aside.

[40] On 18 May 1994 Shearn Delamore's originating summons discontinued (retaining only the application for invalidation). B

[41] On 13 November 1995 Dato Zakariah Mohd Yatim J made an order declaring claims 1, 4, 6, 7, 8 and 9 of Malaysian Patent MY-103283A invalid and null and void and hence unenforceable as of the date of grant (29 May 1993) and an order that the Registrar of Patents of Malaysia to take steps to record within 14 days of service of this order on her record the fact of the declaration and additionally publish it in the Government Gazette. C

[42] On 19 June 1996 the minority shareholders of Maelstrom purportedly appointed a new firm of solicitors M/s Rashid & Lee, to take over from Skrine & Co, the conduct of the plaintiff's claim against the defendant. D

[43] On the same day defendant (IEV) filed a summons in chambers (encl. 34) for the invalidation judgment of Justice Dato Zakariah Mohd Yatim be set aside and reinstatement of its claims immediately. E

[44] The application (encl. 34) was dismissed by the Honourable Judge on 19 August 1996. F

The Case For The Plaintiff

[45] The plaintiff's case is founded on the 2 legal opinions of the defendant. G

[46] At the end of the trial it was distilled down to only the complaint that the defendant owed a duty of care to the plaintiff in that at the time of giving the opinions, the defendant knew or ought to have known that there is a foreseeable risk in exploiting the invention and that in failing to advise the plaintiff of the risk and instead advising the plaintiff to "go ahead and exploit" his invention constitutes a breach of the duty of care. H

[47] The thrust of the plaintiff's case is to be found in the following written submission of counsel for the plaintiff: I

> Where there is a risk and it is foreseeable and avoidable the Solicitor ought to avoid it. Telling the Court that the client too knew the risk is not the answer. As the Privy Council said it is the Solicitor not the client who has the necessary expertise to analyze and guard against the risk. All they needed to have done is to tell Mr Sada, hold your hand until your declaration action is concluded or the invalidation action is completed. They did not do that. They told him to exploit and gave the assurance of no fear of infringement of IEV Patent. They were reckless and they have to pay the price now.

[48] The plaintiff contends that the risks were not made known to him and that he was made to believe that the threat from IEV was merely a "fishing expedition".

[49] The defendant's defence on this averment is grounded on the submission that Mr. Sada had understood both the technical advice with respect to patentability as well as the risk involved in exploiting his invention.

The Law

[50] To succeed in negligence the plaintiff is required to prove:

1. that a duty of care was owed to him by the defendant;
2. that there was a breach of that duty of care; and
3. that in consequence thereof he suffered damages.

See *Arab-Malaysian Finance Bhd v. Steven Phoa Cheng Loon & Ors* [2003] 1 CLJ 585.

Duty Of Care

[51] See House of Lords in *Caparo Industries plc v. Dickman and others* [1990] 1 All ER 568:

> Held – The three criteria for the imposition of a duty of care were foreseeability of damage, proximity of relationship and the reasonableness or otherwise of imposing a duty. In determining whether there was a relationship of proximity between the parties the court, guided by situations in which the existence, scope and limits of a duty of care had previously been held to exist rather than by a single general principle, would determine whether the particular damage suffered was the kind of damage which the defendant was under a duty to prevent and whether there were circumstances from which the court could pragmatically conclude that a duty of care existed.

Breach Of The Duty Of Care – Generally

[52] As to what constitutes a breach generally, see the well-known dictum of Baron Alderson in *Blyth v. Birmingham Waterworks Co* [1856] 11 Exch 781, 784:

> The omission to do something which a reasonable man, guided upon those considerations which ordinarily regulate the conduct of human affairs, would do, or doing something which a prudent and reasonable man would not do.

Breach Of Duty Of Care – Solicitors Specifically

[53] I accept as persuasive authorities the following case law submitted by counsel for the plaintiff with respect to cases on duty of care of solicitors:

[54] See *Halsbury's Laws of England: The Law of Solicitor's Negligence*, para 152 and para 153, 4th edn, Reissue:

> **152. Liability for negligence.** A solicitor holds himself out to his clients as having adequate skill and knowledge properly to conduct all business that he undertakes, whether contentious or non-contentious. He owes a duty to his client both in contract and in tort, and he may be liable to a third person for the tort of negligence. Where the solicitor is in breach of his contractual duty to his client, or where he fails to use proper care and his client or third person, where he owes a duty of care to that third person, suffers loss as a result, he is liable in damages even if the claim in negligence is for purely financial loss. The solicitor's contractual duties to his client may, in some instances, be continuing duties, so that the limitation period runs from the date when the obligation becomes impossible of performance or when the client elects to treat the continued non-performance as a repudiation of the contract.
>
> **153. Facts not constituting negligence.** A solicitor is not guilty of negligence if he has merely acted upon his client's instructions in the reasonable belief that they were correct, or if he has fully explained the position to his client and is nevertheless instructed to proceed, or merely because he has committed an error of judgment, whether on matters of discretion or of law, for example on points of new occurrence or of doubtful construction. Where the facts would otherwise establish a case of negligence, the solicitor may escape liability on the ground that he acted upon counsel's advice. For this purpose he must show that the counsel whom he consulted was, in his judgment a competent person, that

A the facts of the case were fully laid before the counsel, and that he himself merely carried out what counsel had advised. However, counsel's advice is no protection to the solicitor where, in the circumstances, the solicitor ought to have the knowledge himself, or where the question is one of practical procedure, not involving any special difficulty.

B

[55] A solicitor has a duty to warn client of risks he is facing:

1. See Court of Appeal case of *Buckland v. Mackesy* The Solicitors' Journal vol. 112-1968, p. 842:

C

> Harman LJ said that neither professional man could be proud of his part in the present case. The plaintiff contended that the solicitor was negligent because he allowed or advised the plaintiff to exchange contracts when he knew that the plaintiff had not yet obtained a mortgage.
>
> D But there was no duty on a solicitor to ensure that his client had obtained a mortgage before exchanging contracts: he fulfilled his duty if he warned the client of the risk which the client incurred.

2. See Court of Appeal case, *Boyce v. Rendalls* [1983] Volume 268 Estates Gazette p. 269 at p. 272:

E

> Secondly, having advised correctly on those contemplated arrangements, he had then drafted two grazing agreements and both of them, for the reasons I have indicated, were
>
> F effective to bring them within the proviso to section 2(1) of the 1948 Act. It follows, submitted Mr. Walker, that it cannot be said that Mr. Pedrick was in any way negligent. Mr. Price did not seek to say that that general approach was unsound, but he added this rider: that, if, in the course of taking instructions, a professional man like a land agent
>
> G or a solicitor learns of facts which reveal to him as a professional man the existence of obvious risks, then he should do more than merely advise within the strict limits of his retainer. He should call attention to and advise upon the risks. I accept that as a general proposition of law.

H

3. See Court of Appeal case, *County Personnel (Employment Agency) Ltd v. Alan R Pulver & Co (a firm)* [1987] 1 All ER 289 at p. 295:

I

> It seems obvious that legal advice, like any other communication, should be in terms appropriate to the comprehension and experience of the particular recipient. It is also, I think, clear that in a situation such as this the professional man does not necessarily discharge his duty by spelling out what is obvious. The client is entitled to expect the exercise of a reasonable professional judgment. That is why the client seeks advice from the professional man in the first place. If in the exercise of a reasonable professional judgment a solicitor is or should be alerted to risks which might elude even an intelligent layman, then plainly it is his duty to advise the client of these risks or explore the matter further.

and at p. 296:

> These reflections involve no element of valuation, on which a solicitor is plainly unfitted to advise. They are reflections which, in my judgment, would and should occur to a reasonably careful and competent solicitor called on to consider and advise on this clause against the background I have described. Having done so, he would and should have advised the plaintiff that it was, on existing information, impossible to say how the clause would operate in practice, but that its operation might to a greater or lesser extent be disadvantageous to the plaintiff, that unless both initial rents were known and investigated and found to be at open market levels the risk of disadvantage could not, on the proposed wording, be eliminated and that, as matters stood, the plaintiff should not consider entering into a lease which contained this clause. Distasteful though it is to make a finding of negligence against a dead man who cannot defend himself, the inescapable fact is that Mr. Rose did not give this advice or anything like it and, in my view, he was negligent in failing to do so.
>
> ... This explanation was not itself entirely accurate, if the headlease rent was below the open market level, but, more importantly, it did nothing to alert Mrs. Feldman to the possible risks I have mentioned. The deputy judge found that Mr. Rose gave no further or fuller explanation, but I (unlike the judge) think he was bound in law to do so. I cannot accept the distinction drawn between legal consequences and financial implications, because in this case the significance of the legal consequences lay in the financial implications. Even accepting that Mrs. Feldman was not a naive innocent in the commercial world, I regard this as a

A classic case in which the professional legal adviser was bound to warn his client of risks which should have been apparent to him but would, on a simple reading of the clause, have been most unlikely to occur to her.

B 4. See the Privy Council case of *Edward Wong Finance Co. Ltd. v. Johnson Stokes & Master (a firm)* [1984] 1 AC 296 at p. 307:

> Such a conclusion would not be unexpected, because it is the solicitor and not the client who has the better
C opportunity to asses the gravity or remoteness of the risk involved in a particular case, and it is the solicitor and not the client who has the necessary expertise to analyse and guard against the risk.
>
> Their Lordships turn to the question whether the risk could
D have been avoided in the instant case. The answer, in their Lordships' view, is that it could readily have been avoided without in any way undermining the basic features of the Hong Kong style of completion.

E and at p. 308:

> The risk inherent in the Hong Kong style of completion as operated in the instant case being foreseeable, and readily avoidable, there can be only an affirmative answer to the third question, whether the respondents were negligent in
F not foreseeing and avoiding that risk. Their Lordships respectfully agree with the dissenting judgment of Li J.A.

Findings And Decision

The Opinions Of The Experts

G **[56]** A number of experts on the law of patents were called by the parties before Steve Shim J and before me. They were however patent attorneys and were not advocates and solicitors as in the case of the defendant. Their evidence was in the main
H confined to technical opinions with respect to the propriety of the advice given by the defendant as to the patentability of the plaintiff's invention.

[57] The quality and correctness of the defendant's opinion on the patentability was however beyond reproach as in the end the
I court had ruled in favour of the plaintiff and thereby vindicated the defendant.

[58] As it now stands the plaintiff's complaint of negligence is confined to the defendant's opinion that the defendant should not have advised the plaintiff to exploit his invention given that IEV had by then successfully had its patent registered in Malaysia. This in my view is purely within the area of competency of a practicing advocate and solicitor not a patent agent or other non practicing patent experts. I would not therefore be moved by the opinion of the New Zealand patent expert (a non advocate or solicitor) that the defendant should not have advised the plaintiff to exploit his invention under the circumstances as presented.

The Test To Be Applied

[59] The test of whether there was a breach of duty of care under the circumstances would have to be determined by applying the persuasive general guidance set by the House of Lords in *Caparo Industries plc v. Dickman and Others* [1990] 1 All ER 568 *(supra)* approved by the Court of Appeal in *Arab-Malaysian Finance Bhd v. Steven Phoa Cheng Loon & Ors* [2003] 1 CLJ 585 *(supra)* – touching on the foreseeability of damage, proximity of relationship and the reasonableness or otherwise of imposing a duty in conjunction with the line of cases *(supra)* respecting the standard of care expected of solicitors on the advices that they give to their clients.

Whether The Defendant Owed The Plaintiff A Duty Of Care

[60] The defendant was a firm of advocates and solicitors and at the same time is a registered patent agent. It follows by reason of that relationship, a duty of care arose in respect of the professional service that it provided to the plaintiff Sada.

Whether There Was A Breach Of That Duty Of Care

1. As patent agent as well as advocates and solicitors, the scope of the defendant's duty encompasses both the duty of patent agent and advocates and solicitors. It is therefore to be expected within that duty that the plaintiff ought to be advised not only on the specialized law of patent but also the material aspect of litigation consistent with its expertise as a firm of advocates and solicitors. This is quite unlike the duty of a patent agent or patent attorney whose expertise would be confined to the patentability of an invention.

2. The defendant it is clear had confined its advice to the plaintiff strictly to the patentability of his invention. Not a word was said in the two legal opinions of the probable reaction and counter action from IEV that the plaintiff would have to bear and for how long and whether the plaintiff would have the stamina to ride out a sustained litigation that would follow should he decide to act on the defendants advice to exploit his invention.

3. For its part as advocates and solicitors it was duty bound to advise the plaintiff of any consequence which would likely follow should the plaintiff acted to exploit his invention based on the written two opinions to the plaintiff to go ahead to exploit his invention, given the fact that IEV had by then successfully had its patent registered in this country and had issued a notice of infringement of its patent and threatening legal action. These were clearly matters within the reasonable foreseeability of a reasonably competent advocate and solicitor.

4. There was also a duty on the part of the defendant to properly advise the plaintiff of the financial implication that he may have to encounter in proceeding to exploit his invention in the face of the IEV patent; from having to defend an interlocutory injunction in the immediate future – an inevitable consequence which must invariably follow under the circumstances from the patent holder IEV, the immediate effect of which would put the plaintiff's attempt to exploit on hold and stretch his resources and stamina and in the end prevent him from achieving what he had set out to do; and ultimately having to overcome the action brought by IEV itself.

5. It is true that the plaintiff himself should be aware that an application for a declaration of non infringement of the IEV patent would generally involve litigation in a court of law. But a lay person however well informed would not be able to appreciate the full extent and implication of a litigation involving patent law. As advocates and solicitors the defendant owed the plaintiff a duty of care to explain and made aware of the protracted litigation that he was likely to encounter should he decide to act on its advice to exploit his invention. Had the defendant done so, that duty of care would have been discharged. A failure to do so on the other hand gave rise to a breach of that duty of care.

[61] I accept the submission of counsel for the plaintiff that the dogmatic opinions using such words as "Go ahead and exploit" and "Have no fear of any possible infringement" given without caveat had prompted the plaintiff to proceed to exploit his invention.

[62] It is true that in so far as its advice on the patentability of the plaintiff's invention is concerned, the defendant had been absolutely competent as in the end the High Court had vindicated the defendant (by striking out the IEV patent in all 5 of 6 claims) in effect rendering the IEV patent as invalid. It is also true that the defendant was in the end found to have given the correct advice with respect to the patentability of the plaintiff's invention. But this would not exonerate the defendant of his liability for negligence – the test of foreseeablity of harm here being the immediate impact and consequence of the advice to exploit and not merely the end success of getting the patent registered.

[63] As it was, by the time his application for a declaration of an infringement (which had to be discontinued in favour of maintaining another action for invalidation of the IEV patent) was decided in his favour a good two years had passed. By then the plaintiff was no longer in a financial position to continue with his exploitation. In consequence he had therefore suffered damages. Had he been properly advised by the defendant with respect to the legal impediments that he would have to face over a period, he may be able to weigh his option before he decided to exploit his invention.

Finding In Respect Of Civil Suit No: D5-22-260-1996 On Liability

[64] Liability in negligence is found for the 2nd plaintiff only with costs. Damages to be assessed.

[65] 1st plaintiff's claim dismissed with costs

Finding In Respect Of The Plaintiff Nagendaran In Civil Suit No: D2-22- 422-1996

[66] The legal advice was given to Sada on a contractual basis for his use.

[67] It is to be noted that unlike Sada there was no contractual relationship between Nagendaran and defendant. Therefore no direct duty of care exists.

[68] Existence of duty of care in the instant case would therefore have to be tested on the broad neighbour principle of Lord Atkin in *Donoghue v. Stevenson* and *Caparo Industries plc v. Dickman and Others* and distinguishing it from the *Hedley Byrne & Co Ltd v. Heller & Partners Ltd* line of cases.

[69] It is to be noted that:

1. Nagendaran was not an inventor. His claim against the defendant is grounded on the averment that he had relied on the opinions of the defendant which was given to Sada on the patentability to invest in the business. Clearly, the opinions relied upon was not to put any invention of a similar nature into exploitation as Sada did.

2. The defendant's opinion was not on investment in a business. The defendant's opinion was of a technical nature 'tailor made' for Sada pertaining to a very specific area concerning the patentability of his invention. It was clearly NOT opinions with respect to the viability of a business to be set up to exploit the invention, the success of which would entail not the success of the invention alone but other risks related to the setting up of a business.

3. One can safely conclude that no duty of care that is owed by the defendant to Nagendaran under the circumstances.

4. The *Hedley Byrne* case where the advertising agent relied on the financial references as an assurance of financial integrity of an advertising firm to place advertising time with the firm is therefore inapplicable.

5. The plaintiff's claim against the defendant must therefore fail and be dismissed with costs.